



STATE OF TENNESSEE  
DEPARTMENT OF COMMERCE AND INSURANCE  
**BOARD FOR LICENSING CONTRACTORS**

Mailing Address: 500 JAMES ROBERTSON PARKWAY  
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<http://tn.gov/commerce/boards/contractors/>

## INDEMNITIES

### Guaranty Agreement and Bond Information

As a condition of licensing, the law requires a contractor to hire an independent Certified Public Accountant (CPA) to prepare a financial statement with a **“Reviewed”** opinion (*required for a monetary limit of \$1,500,000 or less*); or **“Audited”** opinion (*required for a monetary limit exceeding \$1,500,000*). There is no exception to the reviewed and audited financial statement requirement to obtain a license; must be supplied in order to obtain a license!

#### Guaranty Agreement

The Board has the responsibility to protect the safety and welfare of the public. There are some conditions where they feel the contractor needs to provide an indemnity to ensure the consumer has a means to obtain resolution. In addition to the reviewed and audited financial statement requirement, the Board may require or allow the contractor an option to utilize a *“Guaranty Agreement”* (see *format in the contractor’s license application*) with a supplemental personal or parent company financial statement.

#### Optional

When submitting a guaranty, it must be in the exact format; no deviation to the language is accepted. The guaranty must be supplied in addition to the required reviewed/audited financial statements. The following conditions allow a contractor to utilize the *“Guaranty Agreement”* in order to supplement or increase their working capital and net worth to obtain a contractor’s license for their monetary limit.

- Contractors needing to supplement their working capital and/or net worth to obtain a monetary limit in amount more than their financial statement supports, they may supply their self prepared personal statement with a Guaranty Agreement (*if married, requires spouse signature*) and the Board may consider applying the value at 50%;
- Contractors with a negative working capital and/or negative net worth, may supply personal or a parent financial statement to supplement the audit/reviewed financial statement, for the Board to consider applying the value at 50%; and/or
- Subsidiary contractors, which are without a reviewed or audited financial statement in the entity’s name to be licensed, may submit a request for the board to accept an in-

house financial statement of the entity in the name to be licensed, with their parent company's audited or reviewed financial statement and the parent's signed "Guaranty Agreement";

### **Required**

The Board requires a contractor with the following conditions to supply a supplemental financial statement with the Guaranty Agreement, in addition to the required reviewed/audit:

- Contractors submitting primarily a "cash" only financial statement, due to being a new company with no operating statement, will be required to submit a self prepared personal financial statement with a "Guaranty Agreement" in addition to their reviewed/audited business financial statement prepared by the CPA. *(If contractor is married, spouse must also sign as personal guarantor);*
- Entities where their company/subsidiary is owned by another entity, their owner must supply a reviewed/audited CPA prepared financial statement in the parent company's name with a corporate signed guaranty; and/or
- Limited Liability Company (LLC) applicants are required for the owner(s) to supply a self prepared personal financial statement with a Guaranty Agreement, in addition to their reviewed/audited business financial statement prepared by the CPA, if the entity has a cash only statement *(If contractor is married, spouse must also sign as personal guarantor).* The Board requires a guaranty as a means to protect consumers, should the contractor fail to provide services.

### **Contractor's License Bond**

If there are extenuating circumstances such as legal conflicts, preventing the parent company from supplying the required "Guaranty Agreement", the contractor may request to supply the Board with an original "*Contractor's License Bond*" in lieu of the "Guaranty Agreement". The "Contractor's License Bond" must have original signatures *(photocopy is not acceptable to release license for issuance)* and must also be in the exact format; no deviation from the language is acceptable. Depending on the financial statement and monetary limit requested, the Board will consider either a \$500,000 or \$1,000,000 bond amount. The bond must have a "Power of Attorney" attached from the bonding/insurance provider. In addition, this provider must have an approved rating from "*A.M Best Company, Inc.*" Upon obtaining a license utilizing a bond in lieu of the "*Guaranty Agreement*", the bond cannot be released for one (1) year after the license expiration or replacement of another indemnity. Please note, the "*Contractor's License Bond*" may be used only in lieu of the "*Guaranty Agreement*" and does not waive any other license requirements.

### **Public Record**

While the financial statement is confidential and not a matter of public record, a copy of the bond and/or guaranty agreement may be released to members of the public upon request.

**Contractor's License Bond**

Bond No. \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS, THAT  
we, \_\_\_\_\_ as Principal and  
\_\_\_\_\_ a \_\_\_\_\_  
Corporation, having its principal office in the City of  
\_\_\_\_\_, \_\_\_\_\_ as Surety, are held and firmly  
bound unto the State of Tennessee, Department of Commerce and  
Insurance, Board for Licensing Contractors, Nashville, Tennessee,  
hereinafter called the Obligee, in the penal sum of one million and  
no/100 (\$1,000,000) lawful money of the United States of America to  
be paid to said Obligee, for which payment well and truly to be  
made, we bind ourselves, our heirs, executors, administrators,  
successors and assigns, jointly and severally, firmly by these  
presents.

WHEREAS, a license has been granted by the Obligee to the above  
bounden Principal authorizing the Principal to practice  
contracting.

NOW THEREFORE, The conditions of the foregoing obligation are such  
that if the Principal shall comply with and be subject to the  
provisions of Contractor's License Law and Rules and Regulations  
Title 62, then this obligation shall be null and void; otherwise to  
remain in full force and effect.

Any person bringing claim against this bond may bring action in a  
proper court of law for the amount of damages they may suffer as  
the result of such act or omission by the Principal constituting  
breach of a construction contract or breach of a contract for the  
furnishing of labor, materials or professional services to  
construction undertaken by the Principal in the performance of a  
construction contract, except that such action must be brought  
within one (1) year after the expiration of the license period  
during which the act or omission occurred.

The aggregate liability of the Surety hereunder on all claims  
whatsoever shall not exceed the penal sum of this bond in any  
event.

The Surety may cancel this bond at any time by filing with the Obligee ninety (90) days written notice of its desire to be relieved of liability. The Surety shall not be discharged from any liability already accrued under this bond, or which shall accrue hereunder before the expiration of the ninety (90) day period.

Signed with our hands and sealed with our seals this, the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_

**Witness**

\_\_\_\_\_

**By:**

**(Principal)**

\_\_\_\_\_

**Witness**

\_\_\_\_\_

**(Surety)**

**By:**

\_\_\_\_\_

**Attorney-in-Fact**

(Attach Power of Attorney)